

**WATER/FLC/PTL/HJL:jlj**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION  
Water Branch**

**RESOLUTION NO. W-4486  
August 19, 2004**

**RESOLUTION**

**(RES. W-4486), TORO WATER SERVICE, INC., (TORO). ORDER  
AUTHORIZING A SURCHARGE TO RECOVER AN INCREASE IN  
WATER TESTING COSTS PRODUCING AN INCREASE IN ANNUAL  
REVENUE OF \$7,572 OR 2.38%.**

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**SUMMARY**

By Advice Letter No. 55, filed on May 13, 2004, TORO seeks to add a surcharge of \$9.26 per month for two months to their Schedule No.1, General Metered Service. The increase requested is to recover water quality expenses incurred in 2002 and 2003 over and above the amount allowed in TORO's last general rate case adjusted by Consumer Price Index (CPI) increases through 2002. This increase will not result in a rate of return greater than that last authorized for TORO.

**BACKGROUND**

TORO, a Class D utility, provides water service to 409 customers in an unincorporated area of Monterey County, along the Salinas – Monterey Highway 68. TORO requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to recover \$7,572, via surcharge over two months, for water quality costs including water sampling, testing, reporting, and treatment costs incurred in years 2002 and 2003. TORO's present rates became effective on June 3, 2004, pursuant to Decision (D.) No. 92-03-093, which granted a CPI increase of 1.9%. TORO's last general rate increase was granted pursuant to D.93-06-054 dated June 28, 1993, which authorized a general rate increase of \$71,800 or 48.6% and a 13.35% rate of return.

## **DISCUSSION**

Res. No. W-4013, dated December 20, 1996, supplemented by Res. No. W-4327, dated March 6, 2002, authorized all Class B, C, and D water utilities to establish water quality memorandum accounts (WQMA) for recording expenses resulting from drinking water regulations, including water sampling, testing, reporting, and treatment costs not presently included in rates. Class B, C, and D water utilities were also authorized to request recovery of these account balances by advice letter filings in accordance with General Order No. 96-A. WQMA recovery requires a resolution.

The surcharge requested herein would allow TORO to recover WQMA balances for the years 2002 and 2003. The Water Division conducted an earnings test on an actual basis for the recorded year 2003. TORO reported a net operating revenue of \$27,179 including 8.35% rate of return for 2003, which is below the authorized rate of return of 13.35%. The Water Division recommends that TORO be authorized to assess a surcharge of \$9.26 per customer per month for a period of two months to recover requested water quality expenses. .

## **NOTICE AND PROTESTS**

Notice of the proposed rate increase was published in The Herald, a newspaper of general circulation, on May 17, 2004, as evidenced by proof of publication provided to the Water Division, by the utility. There were no protests concerning the proposed offset increase.

## **FINDINGS**

1. Resolution No. W-4327 authorized all Class B, C, and D water utilities to establish WQMAs for recording expenses resulting from drinking water regulations not presently included in rates.
2. Class B, C, and D water utilities were authorized to request recovery of the WQMA account balances by advice letter filings.
3. TORO filed Advice Letter No. 55 seeking a surcharge to recover water quality expenses incurred during 2002 and 2003.

4. The Commission finds, after investigation by the Water Division, that the requests are justified, and the resulting rates are just and reasonable.
5. This is an uncontested matter subject to the public notice comment exclusion provided in the PU Code Section 311 (g)(3).

**THEREFORE IT IS ORDERED that:**

1. TORO Water Service, Inc. is authorized, five days after the effective date herein, to make effective revised rate Schedule No. 1, General Metered Service, attached to Advice Letter 55, and to cancel the corresponding presently effective rate schedule.
2. This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 19, 2004; the following Commissioners approved it:

/s/ STEVE LARSON  
STEVE LARSON  
Executive Director

MICHAEL R. PEEVEY  
President  
CARL W. WOOD  
LORETTA M. LYNCH  
GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
Commissioners